

DEPARTMENT OF THE AIR FORCE

PRESENTATION TO THE
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
SUBCOMMITTEE ON GOVERNMENT OPERATIONS
U.S. HOUSE OF REPRESENTATIVES

SUBJECT: Air Force Oversight and Audits of Government-wide Purchase Card Program

STATEMENT OF: John M. Lyle, Senior Executive Service
Associate Deputy Assistant Secretary (Contracting)
Assistant Secretary of the Air Force (Acquisition)

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I. Introduction

Chairman Mica, Ranking Member Connolly and distinguished members of the subcommittee, thank you for the opportunity to provide information on the oversight and audits of the Air Force Government-wide Purchase Card (GPC) Program. With very limited resources, the GPC program minimizes bureaucracy, greatly reduces paperwork and provides increased Air Force support to the warfighter. To illustrate this point, the Air Force leveraged use of the card during Fiscal Year 2013 executing nearly 1.5 million transactions for a total expenditure of approximately \$1.2 billion. Used in place of a written purchase order, these actions returned \$14.7 million in rebates to Air Force wings, units, and organizations worldwide, and created an estimated \$105 million in administrative savings. However, since the GPC program permits the expenditure of appropriated funds, the Air Force is mindful that this program must be exercised with transparency and proper oversight. The Air Force accepts the responsibility to instill confidence in taxpayers that their dollars are spent properly.

II. Current Environment

In 1989 the GPC was introduced as a pilot program within DoD. Since then, the program has evolved and expanded to where we are today. The use of GPC is the preferred method for all actions below the micro-purchase threshold in accordance with Federal Acquisition Regulation.

The use of the GPC offers tangible benefits and efficiencies for the taxpayer. Through the GPC program, vendors receive payments promptly which avoids interest penalties. Prompt payment assists our small businesses by avoiding cash flow issues. The GPC program also allows the Air Force to reduce administrative costs associated with traditional purchase methods for supplies and services. On average, the Air Force receives 1.23% in rebates for each GPC transaction. Last fiscal year, the Air Force earned significant GPC program rebates which supported our various Air Force missions worldwide.

III. Oversight and Audits

The Air Force has the responsibility to ensure the public trust when spending taxpayer dollars. We accept this responsibility fully with all of the accountability that it implies. While oversight

and surveillance of the purchase card is the responsibility of all program stakeholders, we work diligently with OSD's Office of Defense Procurement and Acquisition Policy (DPAP), and our industry partners at U.S. Bank and Visa, to protect against fraud, waste, abuse, and misuse through business IT systems, processes and practices. The GPC program establishes oversight responsibility under a six-level hierarchy, each level having oversight of the subsequent level below them.

In 2008 OSD developed the DoD-wide electronic system Purchase Card On-Line System (PCOLS), which audits 100% of all DoD purchase card transactions. The Air Force leads DoD in PCOLS usage with an average of 96% cardholders registered. Through a set of risk predictive business rules, PCOLS scores each transaction based on data points such as the type of merchant code used, cardholder spend limits, frequency of card usage, and where the transaction was made. On a monthly basis the PCOLS flags 3% of transactions that score in the highest risk categories and alerts the installation program coordinator to conduct an independent review. Of the 1.5 million Air Force GPC transactions during Fiscal Year 2013, 0.45% were flagged by PCOLS as suspected fraud, waste and abuse. The system also randomly flags 1% of all other transactions for review by the cardholder's immediate supervisor, or someone in his or her chain of command. Each identified transaction is reviewed and addressed by the proper authorities (e.g., the cardholder's commander, base legal office, etc.). If it is determined that due diligence was not exercised by a cardholder, a variety of remedies and punitive actions exist. These include mandatory remedial training, card suspension, and other disciplinary actions under applicable directives, regulations, Federal Law and the Uniform Code of Military Justice (UCMJ) or civilian disciplinary actions. PCOLS data is used to generate quarterly and semi-annual violation reports to OSD which in turn submits the report to the Office of Management and Budget and GSA for analysis and policy recommendations.

Since 2002 the Air Force Audit Agency (AFAA) has conducted a total of eight audits of the Air Force GPC program and recommended actions which were implemented by the Air Force. The Air Force improved processes, fiduciary stewardship among cardholders and the accuracy of financial reporting. The initial AFAA audit in 2008 entitled *Government Purchase Card Use of Convenience Checks*, (Audit No. F2008-0007-FC1000) revealed improper and inadequate convenience check account use, reporting, account inspection and record retention practices at

two major Air Force Installations. Convenience checks are used when the GPC is not accepted and after evaluating all other alternatives. There are no direct fees associated with using the GPC; however, we incur a 1.7% (2.7% overseas) processing fee per convenience check and they require more safeguards. Upon review of the AFAA's recommendation, the Air Force published revised guidance which clarified procedural requirements, facilitated better management of convenience checks and aggressively pushed enforcement of applicable rules and regulations. A follow-up audit conducted on May 2013 confirmed the Air Force lowered convenience check use by 60%, decreased recurring purchases using convenience checks by 14%, and reduced unreported services transactions to the IRS by 28%.

V. Conclusion

We value the confidence Congress and the taxpayers have placed in the Air Force as stewards of public funds. I want to assure you that the Air Force takes this obligation seriously and follows a rigorous oversight process of our GPC program to prevent any misuse. GPC is a valuable tool in supporting the Air Force mission and warfighter. With your support, the Air Force looks forward to continuing its rigorous oversight and control of the GPC program to maximize efficiency minimize bureaucracy and continually improve Air Force support to the warfighter.